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SANIX



Consolidated Financial Statements

For the 3rd Quarter ended December 31, 2011

SANIX INCORPORATED

February 13, 2012

(Note) Numbers are rounded off to the nearest whole number.



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Summary of 3rd Quarter

Summary of 3rd Quarter

In the first nine-month period of the current consolidated fiscal year, sales increased in comparison to the same period last year, but income decreased.

Net Sales	: 23,395 Million Yen	(Up 1,421 million yen compared to the same period last year)
Operating Income	: 471 Million Yen	(Down 666 million yen compared to the same period last year)
Ordinary Income	: 427 Million Yen	(Down 652 million yen compared to the same period last year)
Net Income	: 48 Million Yen	(Down 644 million yen compared to the same period last year)

◆ Net Sales ◆

Net Sales increased by 6.5% from the last year because the sales of Solar Photovoltaic Power Generation System in the HS Division and the ES Division and the sales of Waste Plastic Recycled, Power Generation and Organic Waste Water Recycled in the ERD Division increased steadily.

◆ Earnings ◆

Net Income decreased in comparison to the same period last year because the constituent ratio of the Solar Photovoltaic Power Generation System with higher cost rate rose.

By drawing-down deferred income tax assets in response to a revision of corporate tax rates, allocations for the purpose of income tax-deferred adjustment charges, etc. of 35 million yen have been conducted.

3rd Quarter : Statement of Income

(Millions of Yen)	FY2010		FY2011					
	9-month		9-month					
	Actual	% to sales	Actual	% to sales	% to last year	Projection	% of change	Difference
Net Sales	21,974	100.0%	23,395	100.0%	106.5%	24,488	95.5%	(1,092)
HS	12,775	58.1%	12,677	54.2%	99.2%	13,930	91.0%	(1,253)
ES	1,996	9.1%	2,047	8.7%	102.6%	2,097	97.6%	(49)
ERD	7,202	32.8%	8,670	37.1%	120.4%	8,460	102.5%	210
Cost of Sales	13,456	61.2%	15,355	65.6%	114.1%	16,088	95.4%	(732)
Gross Profit	8,517	38.8%	8,039	34.4%	94.4%	8,399	95.7%	(359)
SG&A	7,379	33.6%	7,568	32.3%	102.6%	7,783	97.2%	(215)
Operation Income	1,138	5.2%	471	2.0%	41.4%	615	76.6%	(143)
Ordinary Income	1,080	4.9%	427	1.8%	39.6%	571	74.8%	(144)
Net Income	692	3.2%	48	0.2%	7.0%	225	21.5%	(176)

■ Sales in the ERD Division increased steadily. In the HS Division, sales of the Solar Photovoltaic Power Generation System fell short of budget by increasing competition in the market.

The Group saw operating income fell short of budget due to decreasing sales in the HS and ES Division though fixed cost fell short of budget due to the Group's costs-reduction efforts.

3rd Quarter: Segment Information

(Millions of Yen)		FY2010		FY2011					
		9-month		9-month					
		Actual	% to sales	Actual	% to sales	% to last year	Projection	% of change	Difference
HS	Net Sales	12,775	100.0%	12,677	100.0%	99.2%	13,930	91.0%	(1,253)
	Gross Profit	6,731	52.7%	6,049	47.7%	89.9%	6,410	94.4%	(361)
	SG&A	4,056	31.8%	4,141	32.7%	102.1%	4,337	95.5%	(196)
	Op. Income	2,675	20.9%	1,908	15.1%	71.3%	2,073	92.0%	(165)
ES	Net Sales	1,996	100.0%	2,047	100.0%	102.6%	2,097	97.6%	(49)
	Gross Profit	744	37.3%	651	31.8%	87.6%	685	95.1%	(33)
	SG&A	597	29.9%	652	31.8%	109.1%	646	100.8%	5
	Op. Income	146	7.3%	(0)	—	—	38	—	(39)
ERD	Net Sales	7,202	100.0%	8,670	100.0%	120.4%	8,460	102.5%	210
	Gross Profit	1,041	14.5%	1,338	15.4%	128.5%	1,302	102.8%	36
	SG&A	1,176	16.3%	1,176	13.6%	100.0%	1,157	101.7%	19
	Op. Income	(135)	—	162	1.9%	—	145	111.7%	16
Group	Op. Income	(1,548)	—	(1,598)	—	—	(1,641)	—	43

3rd Quarter : Statement of Income

(Millions of Yen)		FY2011							
		1st Quarter		2nd Quarter		3rd Quarter			
		Actual	Difference (last year)	Actual	Difference (last year)	Actual	Projection	% of change	Difference
Net Sales		7,505	230	7,947	612	7,943	9,035	87.9%	(1,092)
HS		4,463	59	4,405	127	3,809	5,062	75.2%	(1,253)
ES		677	27	663	(8)	706	755	93.4%	(49)
ERD		2,364	143	2,878	494	3,427	3,217	106.5%	210
Cost of Sales		5,209	1,051	4,851	498	5,295	6,028	87.8%	(732)
Gross Profit		2,296	(821)	3,096	114	2,647	3,006	88.1%	(359)
SG&A		2,613	108	2,511	50	2,442	2,658	91.9%	(215)
Operation Income		(317)	(929)	584	63	204	348	58.8%	(143)
Ordinary Income		(325)	(919)	562	66	190	334	56.9%	(144)
Net Income		(439)	(879)	439	73	48	225	21.5%	(176)

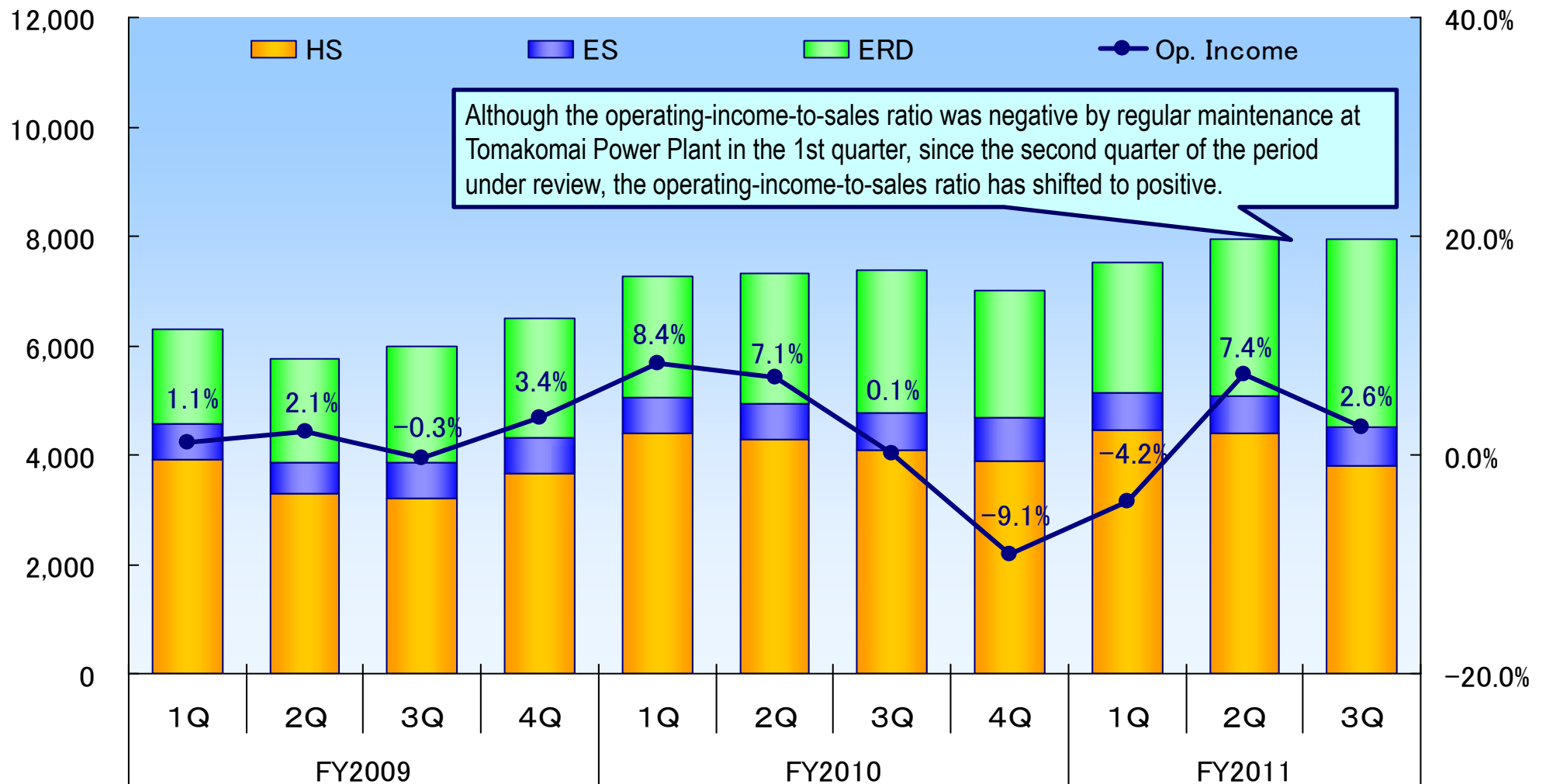
3rd Quarter : Segment Information

(Millions of Yen)		FY2011							
		1st Quarter		2nd Quarter		3rd Quarter			
		Actual	Difference (last year)	Actual	Difference (last year)	Actual	Projection	% of change	Difference
HS	Net Sales	4,463	59	4,405	127	3,809	5,062	75.2%	(1,253)
	Gross Profit	2,185	(488)	2,291	(43)	1,572	1,933	81.3%	(361)
	SG&A	1,417	29	1,420	59	1,303	1,499	86.9%	(196)
	Op. Income	768	(517)	871	(103)	268	433	61.9%	(165)
ES	Net Sales	677	27	663	(8)	706	755	93.4%	(49)
	Gross Profit	214	(23)	212	(49)	224	258	86.9%	(33)
	SG&A	226	44	212	12	212	207	102.6%	5
	Op. Income	(11)	(67)	(0)	(61)	11	50	23.2%	(39)
ERD	Net Sales	2,364	143	2,878	494	3,427	3,217	106.5%	210
	Gross Profit	(104)	(309)	592	207	851	814	104.4%	36
	SG&A	387	3	371	(24)	418	399	104.8%	19
	Op. Income	(491)	(312)	221	231	432	415	104.1%	16
Group	Op. Income	(582)	(31)	(508)	(2)	(508)	(551)	—	43

3rd Quarter : Segment Information (2)

■ Net Sales by Segment and Operating Income Margin

(Millions of Yen)



3rd Quarter: HS Division

■ Sales of Solar Photovoltaic Power Generation System increased steadily compared with the same period last year, but fell short of budget.

Sales of Solar Photovoltaic Power Generation System increased steadily compared with the same period last year, so it was 38.0% over the budget, reaching 3,861 million yen. However, it fell short of the budget on following reasons.

- ◇ Direct sales to customers—The shift of business structure was delayed because it took long time to improve our products.
- ◇ Orders from end users to dealers—The acquisition of new partners fell below the plan by increasing competition in the market.

(Millions of Yen)	FY2010	FY2011				
	9-month	9-month				
	Actual	Actual	% to last year	Projection	% of change	Difference
Total Net Sales	12,775	12,677	99.2%	13,930	91.0%	(1,253)
Termite Eradication Service	3,399	2,953	86.9%	2,909	101.5%	44
Under-Floor/-Roof Ventiration System	2,397	1,813	75.6%	1,751	103.5%	61
Foundation Repairing Treatment	1,606	1,102	68.6%	1,031	106.8%	70
House Reinforcement System	309	290	93.8%	273	106.4%	17
Solar Photovoltaic Power Generation System	2,797	3,861	138.0%	5,424	71.2%	(1,562)
Others	2,264	2,656	117.3%	2,540	104.6%	115
Operation Income	2,675	1,908	71.3%	2,073	92.0%	(165)

3rd Quarter: ES Division

■ The Division fell short of budget because the acquisition of new partners fell below the expectation.

Concerning marketing to corporate customers, such as building and condominium management companies, although our cultivation of relations with our existing business partners is proceeding smoothly, the increase in the number of new partners that we have acquired is sluggish. As a result, sales of Anti-rust Equipment Installation and Solar Photovoltaic Power Generation System targeted at new customers, fell short of budget. The Division 's operating loss was 262 million yen because the Division's net sales fell short of budget.

(Millions of Yen)	FY2010	FY2011				
	9-month	9-month				
	Actual	Actual	% to last year	Projection	% of change	Difference
Total Net Sales	1,996	2,047	102.6%	2,097	97.6%	(49)
Anti-rust Equipment Installation	515	338	65.7%	370	91.5%	(31)
Repair of Building Water-works	582	644	110.6%	647	99.4%	(3)
Waterproofing of Building	357	285	79.9%	288	98.7%	(3)
Solar Photovoltaic Power Generation System	52	310	587.7%	328	94.7%	(17)
Others	488	468	95.9%	462	101.5%	6
Operating Income	146	(0)	—	38	—	(39)

3rd Quarter: ERD Division

■ The Division as a whole increased steadily, so it got into the black according to the plan.

The Sanix Energy's Tomakomai Power Plant has been keeping operation by properly maintenance, so the revenue of Power Generation was over the budget. The revenue of Waste Plastic Recycled was over the budget because waste plastics brought in has continued to increase. The revenue of Organic Waste Water Recycled was almost in line with the plan.

In the nine-month period, the division got into the black because operating income get over the budget due to being over the sales budget.

(Millions of Yen)	FY2010	FY2011				
	9-month	9-month				
	Actual	Actual	% to last year	Projection	% of change	Difference
Total Net Sales	7,202	8,670	120.4%	8,460	102.5%	210
Waste Plastic Recycled	3,820	4,743	124.2%	4,623	102.6%	120
Organic Waste Water Recycled	1,070	1,229	114.9%	1,234	99.6%	(4)
Power Generation	1,143	1,635	143.0%	1,616	101.2%	18
Final Disposal	710	585	82.4%	550	106.4%	35
Others	457	476	104.2%	435	109.4%	41
Operating Income	(135)	162	—	145	111.7%	16

SANIX



Forecast for FY2011



Forecast for FY2011

Forecast for consolidated FY 2011

Net Sales	:	33,300 Million Yen	(FY2010 :	28,979 million yen)
Operating Income	:	1,070 Million Yen	(FY2010 :	501 million yen)
Ordinary Income	:	1,010 Million Yen	(FY2010 :	430 million yen)
Net Income	:	550 Million Yen	(FY2010 :	49 million yen)

HS Division

We revised the forecast for the full year. Sales of Solar Photovoltaic Power Generation System in the fourth quarter will show signs of steady performance, compared to the third quarter. That being said, however, such performance will not reach the previously forecast levels.

ES Division

We expect sales of Solar Photovoltaic Power Generation System to increase steadily, but sales of exist products to fell short of the budget. The division's net sales will be on level with previous forecast.

ERD Division

Due to damage caused to an undersea cable stretching between related facilities located in Hokkaido and Honshu in January of this year, earnings generated by the Tomakomai Power Plant will be less than the previously forecast values. However, because the Waste Plastic Processing Business will display a steadiness of performance, effectively driving the overall Environmental Resources Development Division, the Company assumes that profitability will be achieved over the course of the full year.

FY2011 : Statement of Income (Projection)

(Millions of Yen)	FY2010		FY2011				
	Full Year		Full Year				
	Actual	% to sales	Revised Forecast	% to sales	% to last year	Previous Forecast	Difference
Net Sales	28,979	100.0%	33,300	100.0%	114.9%	38,000	(4,700)
HS	16,656	57.5%	18,450	55.4%	110.8%	23,680	(5,230)
ES	2,811	9.7%	2,910	8.7%	103.5%	2,910	0
ERD	9,511	32.8%	11,940	35.9%	125.5%	11,410	530
Cost of Sales	18,703	64.5%	22,050	66.2%	117.9%	25,425	(3,375)
Gross Profit	10,275	35.5%	11,250	33.8%	109.5%	12,575	(1,325)
SG&A	9,773	33.7%	10,180	30.6%	104.2%	11,275	(1,095)
Operation Income	501	1.7%	1,070	3.2%	213.2%	1,300	(230)
Ordinary Income	430	1.5%	1,010	3.0%	234.8%	1,250	(240)
Net Income	49	0.2%	550	1.7%	—	830	(280)

■ On the basis of actual result in the nine-month period of the fiscal year, the forecasts in the ERD Division will keep increasing steadily. In the HS Division, we finished the shift of business structure. We expect active sales for Solar Photovoltaic Power Generation System, but the division is expected to fall short of previous budget on the basis of orders result in the nine-month period of the fiscal year.

FY2011: Segment Information (Projection)

(Millions of Yen)		FY2010		FY2011				
		Full Year		Full Year				
		Actual	% to sales	Revised Forecast	% to sales	% to last year	Previous Forecast	Difference
HS	Net Sales	16,656	100.0%	18,450	100.0%	110.8%	23,680	(5,230)
	Gross Profit	7,964	47.8%	8,155	44.2%	102.4%	9,550	(1,395)
	SG&A	5,356	32.2%	5,495	29.8%	102.6%	6,647	(1,152)
	Op. Income	2,607	15.7%	2,660	14.4%	102.0%	2,903	(243)
ES	Net Sales	2,811	100.0%	2,910	100.0%	103.5%	2,910	—
	Gross Profit	974	34.7%	950	32.6%	97.5%	970	(20)
	SG&A	820	29.2%	860	29.6%	104.8%	858	2
	Op. Income	153	5.5%	90	3.1%	58.6%	112	(22)
ERD	Net Sales	9,511	100.0%	11,940	100.0%	125.5%	11,410	530
	Gross Profit	1,337	14.1%	2,145	18.0%	160.4%	2,055	90
	SG&A	1,553	16.3%	1,660	13.9%	106.9%	1,555	105
	Op. Income	(215)	—	485	4.1%	—	500	(15)
Group	Op. Income	(2,043)	—	(2,165)	—	—	(2,215)	50

FY2011 : HS Division (Projection)

< Forecast for the HS Division >

■ Sales of Solar Photovoltaic Power Generation System

- Direct sales to customers— We finished the shift for business structure and promote sales of Solar Photovoltaic Power Generation System.
 - Since October that we focused on sales of Solar Photovoltaic Power Generation System, sales productivity has been improving. Therefore, numbers of sales in the fourth quarter will increase more than in the third quarter, but such performance will not reach the previously forecast levels.
- Orders from end users to dealers— We continue to intend to acquire new dealers and improve our support to dealers.

(Millions of Yen)	FY2010 Actual	FY2011 Revised Forecast	FY2011 Previous Forecast	Difference
Net Sales	16,656	18,450	23,680	(5,230)
Gross Profit	7,964	8,155	9,550	(1,395)
SG&A	5,356	5,495	6,647	(1,152)
Op. Income	2,607	2,660	2,903	(243)

FY2011 : HS Division (Projection)

■ The situation of sales of Solar Photovoltaic Power Generation System

- Due to full-scale operations commencing at the Chinese subsidiary, we are seeking to further improve profitability ratios via actions taken to cut the cost of materials.
- To seek to raise the volume of lower- and mid-segment sales conducted by persons assigned to sales duties, we continue to hold meeting and training for rolling some success case out and expanding knowledge, and intend to improve sales productivity.
- We are promoting the development of sales tools for the purpose of achieving greater efficiencies in preparation for an increasing number of business negotiations.



Effort for next term

- ◆ To enhance sales-activity staff resources, we have strengthened recruitment of sales persons.
- ◆ To enhance construction-activity staff resources, we have strengthened recruitment of qualified persons (in accordance with the Electric Work Specialists Act).
- ◆ We have implemented an “Introduction Campaign,” this being targeted at customers who have already installed Solar Photovoltaic Power Generation Systems. We intend to expand sales considering wining over last-minute demand at the end of fiscal year.
- ◆ In line with the enactment of the “Act on Special Measures Concerning Renewable Energy Sources,” Sanix Engineering Inc., a 100% subsidiary of this company, has obtained building industry licenses. We will make system to entry into the market for Solar Photovoltaic Power Generation Systems for Public/ Industrial Use which is expected to expand further.

FY2011 : ES Division (Projection)

< Forecast for the ES Division >

- Sales of Solar Photovoltaic Power Generation System are expected to increase steadily
 - To win over last-minute demand at the end of fiscal year, we intend to increase the number of our sales
 - The division's net sales will be on level with previous forecast. Operating Income is expect to fell short of previous forecast because the constituent ratio of the Solar Photovoltaic Power Generation System with higher cost rate rose.

(Millions of Yen)

	FY2010 Actual	FY2011 Revised Forecast	FY2011 Previous Forecast	Difference
Net Sales	2,811	2,910	2,910	—
Gross Profit	974	950	970	(20)
SG&A	820	860	858	+2
Op. Income	153	90	112	(22)

FY2011 : ERD Division (Projection)

<Forecast for the ERD Division>

■ The previous forecast values have been revised upwards because the revenue of waste plastic processing will be increase steadily.

- In the nine-month period, the quantity of the waste plastics brought in increased by 19.8% year-on-year, continue to record two-digit growth. We expect to increase steadily in the fourth quarter.

■ Reconsidering the sales price by the damage caused to an undersea cable stretching between related facilities located in Hokkaido and Honshu

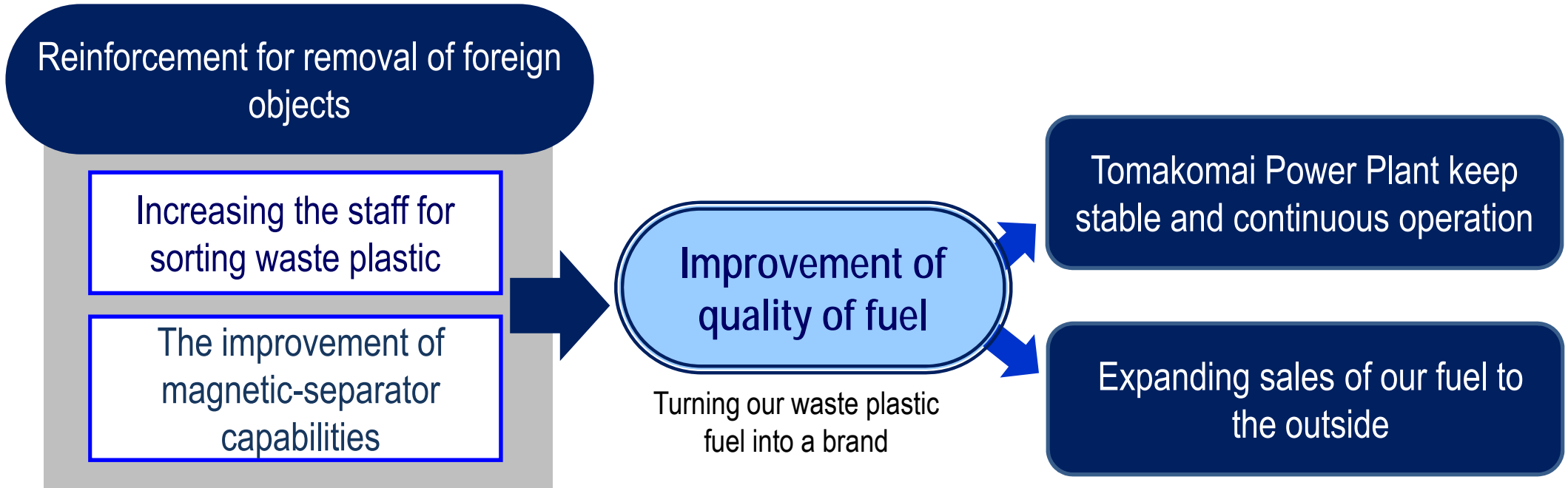
- Operating income is expected to fell short of previous budget because the revenue of Power Generation will decrease by the damage caused to an undersea cable stretching between related facilities located in Hokkaido and Honshu.

(Millions of Yen)

	FY2010 Actual	FY2011 Revised Forecast	FY2011 Previous Forecast	Difference
Net Sales	9,511	11,940	11,410	+530
Gross Profit	1,337	2,145	2,055	+90
SG&A	1,553	1,660	1,555	+105
Op. Income	(215)	485	500	(15)

FY2011 : ERD Division (Projection)

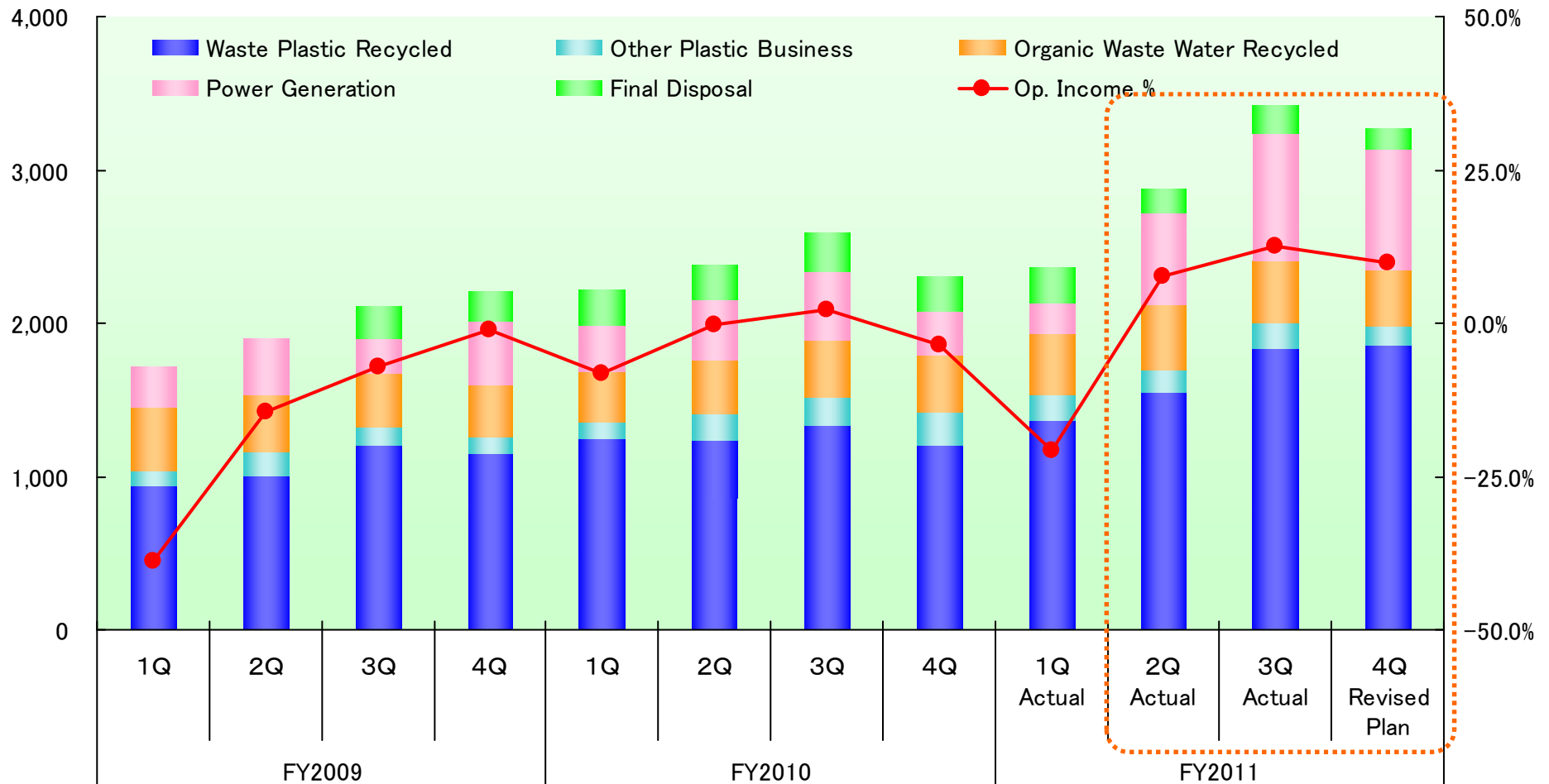
- **The Situation of Resource-recycling Power Generation Business**
- We increase the staff for sorting waste plastics brought in and make quality of fuel improve more.
 - We work on improvement of quality of fuel and expand sales of our fuel to the outside.
 - Regarding Tomakomai Power Plant, we continue to improve rate of operation and a reduction of the cost by operation.



FY2011 : ERD Division

Net Sales by Product and Operating Income Margin

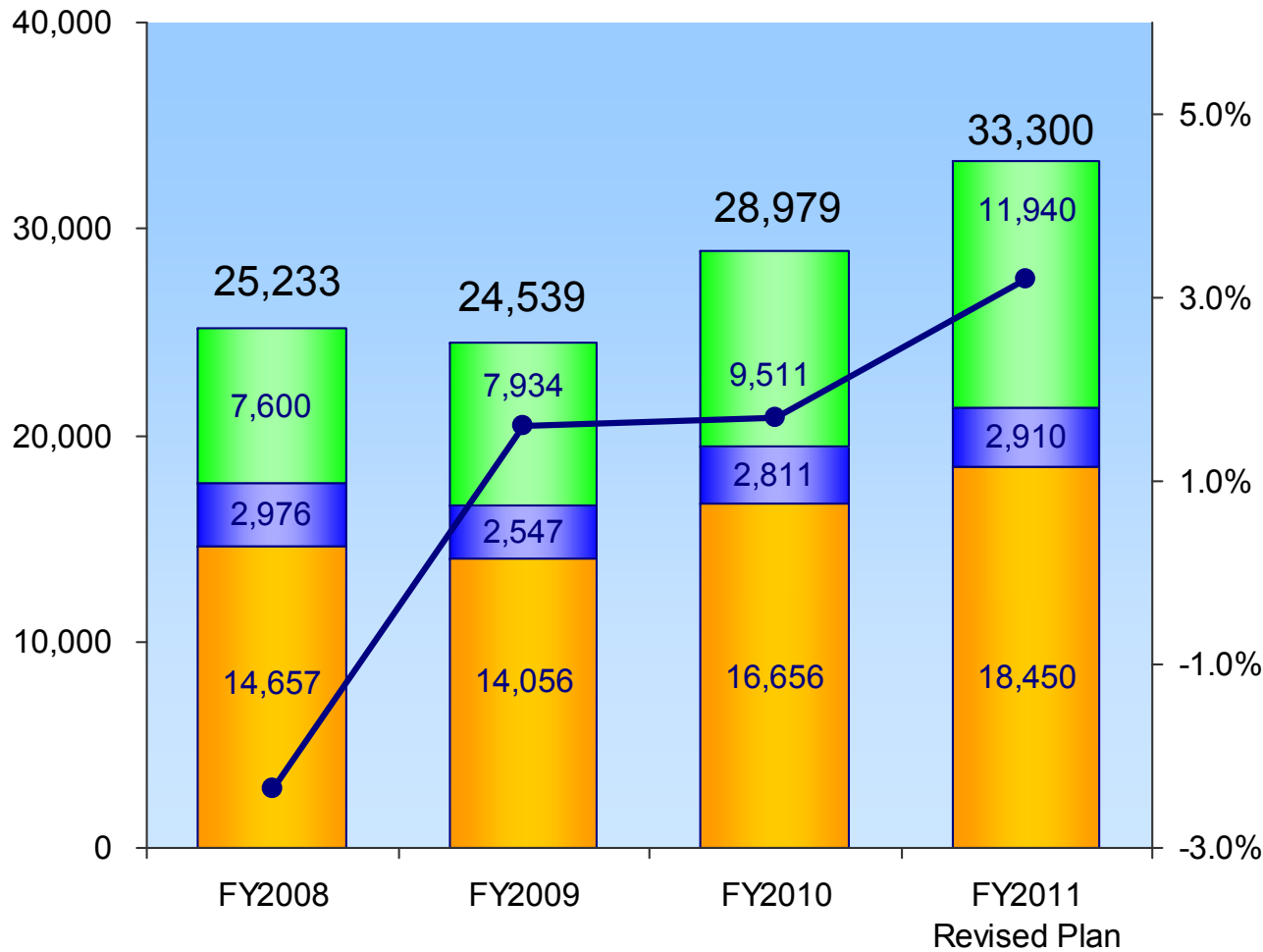
(Millions of Yen)



FY2011 : Whole Group

Net Sales by Segment and Operating Income Margin

(Millions of Yen)

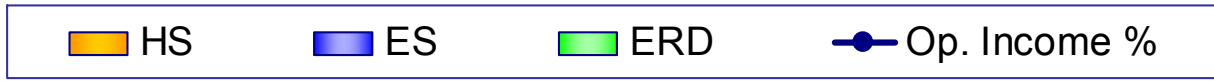


Forecast for FY2011

Net Sales : 33,300MY

Op. Income : 1,070MY

Op. Income % : 3.2%



Disclaimer

This material contains certain forward-looking statements. Such forward-looking statements are not intended to provide guarantees of our future performance and are based on certain assumptions and management's judgment based on currently available information. Therefore, actual results in future earnings and operating results may materially differ from those contained in the forward-looking statements.

The following items are among the factors that could cause actual results to differ materially from the forward-looking statements in this material:

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